

Message Text

CONFIDENTIAL

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FM AMEMBASSY PANAMA

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C O N F I D E N T I A L PANAMA 3444

EXDIS

E. O. 116 52: GDS

TAGS: PFOR, PN

SUBJ: NMU HOUSING GUARANTEE PROJECT AT CATIVA, PANAMA.

FOR AID ADMINISTRATOR HANNAH FROM AMBASSADOR.

1) SUMMARY. REPRESENTATIVES OF NATIONAL MARITIME UNION CALLED ON ME JUNE 28 TO REQUEST MY SUPPORT IN OBTAINING AID APPROVAL FOR HIGHER MAXIMUM IN AVERAGE COST OF DWELLINGS UNDER AID HOUSING GUARANTEE THAN AID HAS INDICATED IT WILLING TO ACCEPT ON NEW PROJECT. I HOPE THAT YOU CAN BE HELPFUL FOR REASONS SET FORTH BELOW.

2) NMU HOUSING PROJECT NEAR COLON, PANAMA HAS NOW BEEN PENDING FOR ALMOST FOUR YEARS. NMU GOT INTO PROJECT BECAUSE IT HAS ABOUT ONE- THIRD ITS MEMBERSHIP WORKING FOR CANAL COMPANY. BUT IT WAS ENCOURAGED TO DO SO BECAUSE OF SERIOUS HOUSING PROBLEMS OF PANAMANIAN EMPLOYEES OF CANAL COMPANY. HOUSING PROBLEM NOW EVEN MORE ACUTE THAN IN 1969 AND PROJECT CONTINUES TO BE OF MUTUAL INTEREST TO NMU, USG AND GOP.

3. CURRENT PROBLEM ON PROJECT ARISES BECAUSE OF INFLATIONARY PRESSURES IN PANAMA. RELIABLE FIGURES NOT AVAILABLE BUT PRICES NOW RISING AT AVERAGE ANNUAL RATE OF OVER 10 PERCENT WITH RATE OF INCREASE IN HOUSING IN THE 20 PERCENT TO 25 PERCENT RANGE. HOUSE THAT NMU COULD HAVE BUILT IN 1971 FOR \$8,500 IF AID HAD ACCEPTED BIDS NOW COSTS AROUND

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\$12,000.

4) ALTHOUGH NMU TRACK RECORD ON THIS PROJECT IS SUBJECT TO CRITICISM, NMU'S DESCRIPTION OF AID WASHINGTON RECORD, DOES NOT READ VERY WELL EITHER. PAST HISTORY IS ONLY IMPORTANT IF PROJECT FAILS AND NMU DEFAULTS ON \$600,000 OBLIGATION TO BANCO NACIONAL OF PANAMA. BECAUSE IT IS MY STRONG RECOMMENDATION THAT AID APPROVE HIGHER MAXIMUM LEVEL I SEE NO NEED BOTHER YOU WITH PAST HISTORY.

5) GOP OF COURSE WANTS PROJECT TO GO FORWARD PROMPTLY AND GRANTED TAX EXEMPTION AFTER PERSONAL INTERVENTION OF GENERAL TORRIJOS. TORRIJOS IS INTERESTED NOT ONLY IN HOUSING BUT IN ENCOURAGING AND WORKING WITH LABOR UNIONS. I ASSUME THAT WE ARE ALSO INTERESTED IN COOPERATING WITH THE NMU IN PROVIDING ESSENTIAL SERVICES TO ITS MEMBERSHIP. THERE REMAINS PROBLEM ON FULL FAITH AND CREDIT GUARANTEE OF GOP BUT NMU THINKS THAT IT CAN GET LOCAL CURRENCY GUARANTEE OF AID WILL AGREE TO CHANGE MAXIMUM AVERAGE PRICE LEVEL ON HOUSING.

6) WHEN YOU VISITED PANAMA WE DISCUSSED PANAMANIAN DEVELOPMENT AND FAILURE OF USG OVER MANY YEARS TO REACH OUT BEYOND CANAL ZONE AND HELP BUILD FRIENDLY AND HEALTHY ENVIRONMENT FOR USG OPERATIONS IN PANAMA. THIS HOUSING PROJECT IS ONE OF SEVERAL PROJECTS USAID AND I ARE INTERESTED IN PROMOTING BECAUSE IT WILL CONTRIBUTE IN A VERY MEANINGFUL WAY TO THE SOCIAL AND ECONOMIC BETTERMENT OF COLON AREA. NMU REPRESENTATIVES PLAN TO CALL ON AID/ W HOUSING DIVISION NEXT WEEK TO WORK OUT PROBLEMS. I REQUEST YOUR SUPPORT IN MOVING PROJECT TO SUCCESSFUL CONCLUSION.
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*** Current Handling Restrictions *** EXDIS

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